

D.P.U. 94-39

Application of Eastern Edison Company under the provisions of the Company's tariff, M.D.P.U. 245, for approval by the Department to implement the Company's temporary purchased power cost adjustment Factor S-10.

APPEARANCES: V. Denise Saunders, Esq.
McDermott, Will & Emery
75 State Street
Boston, Massachusetts 02139
FOR: EASTERN EDISON COMPANY
Applicant

I. INTRODUCTION

On March 1, 1994, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et. seq., Eastern Edison Company ("EECo" or "Company") applied to the Department of Public Utilities ("Department") for approval to implement a temporary change in its purchased power adjustment ("PPCA") clause. The Company requested that this change be effective for bills rendered from April 1, 1994 through April 30, 1994. This matter was docketed as D.P.U. 94-39.

Pursuant to notice duly issued, a public hearing on the Company's application was held on March 23, 1994 at the Department's offices in Boston. Notice of the hearing was published by the Company in the Fall River Herald News, the Quincy Patriot Ledger, the Brockton Enterprise, and the Boston Herald. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate. No petitions for leave to intervene were filed.

At the hearing, the Company sponsored one witness: Arlene L. Fleming, rate analyst in the rate department of Eastern Utility Associates Service Corporation ("EUASC"). The Company submitted one exhibit: (1) Exhibit EE-1, a multi-page document entitled "Purchased Power Adjustment Filing Factor S-10," March 1994, which includes the pre-filed testimony of Ms. Fleming.

EECo is a wholly owned subsidiary of Eastern Utilities Associates ("EUA"), a utility holding company. EUA's other subsidiaries, affiliates of EEC Co, include Blackstone Valley ("Blackstone") in Rhode Island, Newport Electric Corporation ("Newport") in Rhode Island, and EUASC, which provides engineering, technical, and other services for the EUA companies. Montaup Electric Company ("Montaup") is a wholly owned subsidiary of EEC Co and supplies power to EEC Co, Blackstone, Newport, and certain municipal electric utilities. EEC Co purchases all of its power requirements at wholesale from Montaup pursuant to rates regulated by the Federal Energy Regulatory Commission ("FERC"). Thus, EEC Co does not own or operate any power generation units of its own. EEC Co serves, on average, 204,000 customers in its service territory, which includes over 20 cities and towns in southeastern Massachusetts.

II. BACKGROUND

EECo's PPCA is designed to recover Montaup's demand-related charges to EEC Co. The PPCA is derived from two components: (1) Montaup's based demand charge; and (2) Montaup's purchased capacity demand charge.

Montaup recovers the cost of power it generates through a FERC-approved rate. However, Montaup also seeks alternate sources from which to purchase power in order to meet the contracted power supply demands of its affiliates. As a result,

each year, Montaup solicits cost estimates from alternate power suppliers. These estimates of annual cost are the basis of the purchased capacity demand charge.

Annually, Montaup files at the FERC for an adjustment to the purchased capacity demand charge to become effective January 1. At the FERC, the change in Montaup's purchased capacity demand charge is referred to as an adjustment of Montaup's purchased capacity adjustment clause ("PCAC"). Under the terms of the Company's tariff, M.D.P.U. 245, whenever there is a change in Montaup's demand charge, EECO is required to file for a revision to its PPCA factor with the Department. These changes become E-factors.

In the instant docket, the Company proposes a billing adjustment, designated as PPCA S-10, to accomplish four reconciliations in its rate, below. An S-factor is a temporary PPCA factor representing a change in EECO's cost of purchased power brought about by a billing adjustment rendered by Montaup.

III. THE COMPANY'S PROPOSED PPCA S-10 FACTOR

The Company proposed to consolidate into one rate four changes to its PPCA: (1) a refund credit from Montaup associated with the reconciliation of its PCAC demand charge; (2) an under-recovery balance resulting from the reconciliation of PPCA E-7 factor; (3) an over-refunded balance resulting from the implementation of the temporary PPCA factor S-7; and (4) an under-refunded balance resulting from the implementation of the

temporary PPCA factor S-9 (Exh. EE-1, at 2-3; Tr. at 5).

First, Montaup overcollected revenues for its PCAC billing rate to cover the net purchase capacity costs actually incurred for calendar year 1993 (Exh. EE-1, at 3; Tr. at 6). EEC's share of this overrecovery amounts to a credit of \$1,490,934.12, which includes interest from Montaup (Exh. EE-1, at 3 and Sch. 3; Tr. at 6).

Second, the reconciliation of the E-6, E-6R, and E-7 factors from January 1, 1993 through January 4, 1994 resulted in an under-recovery by EEC of \$242,007.08 (Exh. EE-1, at 3-4 and Sch. 4; Tr. at 6).

Third, the Company overrefunded the S-7 factor by \$29,054.71 (Exh. EE-1, at 4-5 and Sch. 5; Tr. at 7). The S-7 factor, which was applicable to bills rendered from November 1992 through October 1993, was designed to refund \$948,092.77 in revenues resulting from the reconciliation of the demand revenue adjuster from Montaup's M-13 settlement agreement, offset by the reconciliation of EEC's S-6 factor id.

Fourth, in Eastern Edison Company D.P.U. 93-161 (1993), the Department approved temporary PPCA S-9 factor for the month of October 1993 which was designed to reconcile six previously approved factors through a refund in the amount of \$215,381.49 (Exh. EE-1, at 5 and Sch. 6; Tr. at 7). The net effect of the implementation of the S-9 factor was an under-refund of \$2,512.15 (id.).

In addition to the components described above, EEC_o proposes to apply interest to the amount to be refunded through the implementation of the proposed PPCA factor S-10, resulting in an additional interest amount of \$3,115.63 (Exh. EE-1, at Sch. 7).

The Company calculated temporary PPCA factor S-10 by dividing \$1,224,833.08, the total amount proposed to be refunded, by 207,577,162, the forecast KWH sales during April 1994, resulting in a credit of \$0.00590 per KWH id. at Sch. 2).

IV. ANALYSIS AND FINDINGS

We have reviewed the Company's calculations of the factor components, including the interest amounts added to the calculations, and find them to be reasonable. The Department has calculated EEC_o's temporary PPCA factor S-10 of (\$0.00590) per KWH for the period of April 1, 1994 through April 30, 1994 as shown on Table 1, attached to this Order. The combination of the proposed temporary PPCA factor S-10 with the PPCA factors E-5R-C and E-8 that are presently in effect results in a PPCA totalling (\$0.00536) id. at Sch. 1).

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Eastern Edison Company's proposed Purchased Power Cost Adjustment Factor S-10 be and hereby is allowed; and it is

FURTHER ORDERED That a temporary Purchased Power Cost

Adjustment Factor S-10 is permitted to become effective for Eastern Edison Company with respect to bills rendered beginning on April 1, 1994, and shall be applied as a uniform credit to each kilowatthour sold on the applicable rates that are subject to the Company's purchased power cost adjustment provisions; and it is

FURTHER ORDERED That the Eastern Edison Company's temporary Purchased Power Cost Adjustment Factor S-10 shall be in effect until April 30, 1994.

By Order of the Department,